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RUEHKO/AMEMBASSY TOKYO 7249
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SUBJECT: SEOUL - PRESS BULLETIN; JANUARY 25, 2010

TOP HEADLINES

Chosun Ilbo, All TVs
U.S. Educational Testing Service (ETS) Sends Security Officials to
ROK Following Series of Leaks of SAT Test Papers in ROK

JoongAng Ilbo
Hospital Charges for Cancer Operations Differ
Up to 5 Million Won

Dong-a Ilbo
Four Arrested in Second SAT Leak Scandal

Hankook Ilbo
Liquid Assets Moving to Stock Market

Hankyoreh Shinmun
Lee Myung-bak Administration Uses
Media Reform Bill Politically

Segye Ilbo, Seoul Shinmun
Sejong City Legislation Due on Jan. 27

DOMESTIC DEVELOPMENTS

The ROKG decided yesterday to reject North Korea's proposal to hold
military talks on Jan. 26 for the time being. A senior Unification
Ministry official said that the planned Feb. 1 talks with the North
on the operation of the joint Kaesong Industrial Complex must be
carried out first and then the two Koreas could sit down to deal
with military-related matters. (JoongAng)

North Korea yesterday criticized the ROK's recent remarks about a
"preemptive strike" if there is any indication of a nuclear attack
from the North as "an open declaration of war." (All)

INTERNATIONAL NEWS

According to Japan's Nihon Keizai Shimbun, Kim Yong-nam, president of the Presidium of North Korea's Supreme People's Assembly, recently presented three conditions for the North's return to the Six-Party Talks: 1) signing a peace treaty with the U.S. and China; 2) talks with the U.S. on regime security; and 3) lifting of economic sanctions. (JoongAng)

MEDIA ANALYSIS

Secretary Clinton's Speech on Internet Freedom

Most media on Saturday (Jan. 23) gave straight coverage to Secretary of State Hilary Clinton's Jan. 21 speech on Internet freedom.

Coverage highlighted the Secretary's statements: "Countries or individuals that engage in cyber attacks should face consequences and international condemnation;" and "We look to the Chinese authorities to conduct a thorough review of the cyber intrusions that led Google to make its announcement (that China should either stop censoring Internet searches or risk a pullout by the search-engine giant.) And we also look for that investigation and its results to be transparent."

-President Obama's Wall Street Reform

Left-leaning Hankyoreh Shinmun editorialized on Saturday: "If President Obama's financial regulations go into effect, speculative investment by large banks will become practically impossible. ... It

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is highly likely that EU nations, such as Britain and Germany, will follow suit, given their strong stance toward regulating financial markets. ... President Obama's Wall Street reform does not seem to have a major effect on the ROK's banking industry right away. The ROK's financial industry still relatively strictly separates commercial banking and investment banking duties. What is somewhat worrisome is, however, that some city banks, while promoting their growth into large banks, are trying to expand their high-risk investment duties. Even if investment bank duties are still relatively light, now is the time to be on guard against making the same mistakes as the big U.S. banks."

An editorial in right-of-center JoongAng Ilbo wrote today: "We should be wary of mimicking another country's financial reform. As the ROK's immature opening of the financial market set off a financial crisis, it is dangerous to recklessly follow U.S.-style financial reforms. ... Now is the time for the ROK to approach U.S. financial reforms from various perspectives and to seek a Korean-style financial model that fits its own situation."

- N. Korea

Most newspapers on Saturday carried reports quoting Foreign Minister Yu Myung-hwan as telling a Jan. 22 press briefing that he hopes the stalled Six-Party Talks will resume sometime around the Lunar New Year's holiday on Feb. 14.

Right-of-center JoongAng Ilbo replayed a Jan. 23 report by Japan's Nihon Keizai Shimbun saying that Kim Yong-nam, president of the Presidium of North Korea's Supreme People's Assembly, presented three conditions for the North's return to the Six-Party Talks during a recent meeting with a visiting Italian parliamentary delegation: 1) signing a peace treaty with the U.S. and China; 2) talks with the U.S. on regime security; and 3) lifting of economic sanctions. JoongAng Ilbo wrote in the headline: "N. Korea Indicates Intention to Exclude ROK from 'Talks on Korean Peninsula Peace Treaty.'"

OPINIONS/EDITORIALS

U.S. FINANCIAL REFORM... IT IS TIME TO EXPLORE A 'KOREAN-STYLE FINANCIAL MODEL'
(JoongAng Ilbo, January 25, Page 34)

Financial reform measures unveiled by U.S. President Barack Obama are stronger and more comprehensive than expected. The reform plans are designed to block commercial banks from making high-risk investments and to limit the scope and size of large financial institutions in order to get rid of the "too big to fail" principle.

The Glass-Steagall Act which was enacted in 1933 but repealed in 1999 is being revived again. Previously, President Obama proposed a fee to raise 90 billion dollars in 10 years from top banks to recoup every single dime of a Wall Street bailout. Obama is initiating financial reform, buoyed by public anger over massive Wall Street bonuses.

President Obama is ready to have an uncomfortable relationship with Wall Street which once supported him. He believes that reckless investment by the financial institutions triggered the crisis. Obama said, "If those folks want a fight, it's a fight I'm ready to have." U.S. taxpayers complain that the banks "privatize" earnings and "socialize" losses. If U.S. financial reform is carried out, it may help to prevent recurrence of a financial crisis. However, a policy dependent on public sentiment yields side effects. If the financial market is constrained, there is a greater possibility that a global double dip may occur. If the U.S.'s financial banks suffer, this may jeopardize its national competitiveness. (Therefore,) the U.S. seems to be facing a double-edged sword.

Obama's financial reform proposals have already sparked controversy at home and abroad. The U.S. financial sector is lashing out at the reform plans. Even within the U.S. administration, Treasury Secretary Timothy Geithner, who took the lead in easing financial

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regulations, and National Economic Council Director Lawrence Summers are voicing different opinions. The reform proposals may be considerably watered down when they are presented to the U.S. Congress. Still, the undeniable fact is that the global financial market is undergoing transformation. The U.S. and British financial models that existed before a global crisis are not sustainable. A new global standard will reveal itself when some challenges ahead are resolved.

We should carefully watch how things play out. What is imperative is that we should prepare against a possible outflow of foreign funds in the wake of U.S. financial reform. Even though we need to pay attention to the Obama Administration's effort to remove a blind spot in financial oversight, we should note that the ROK's financial environment is considerably different from that of the U.S. ROK banks engage in a meager proportion of high-risk investments unlike the U.S. and Britain. It has been a year since the ROK implemented the Capital Market Consolidation Act which permits combined operation of all financial investment businesses (such as sales, brokerage, asset management, discretionary investment advisory service). In this situation, if the ROK joins the bandwagon and implements regulations (similar to that in the U.S.), it may have a fatal effect.

We should be wary of mimicking another country's financial reform measures. (Since) the ROK's immature opening of the financial market set off a financial crisis, it is dangerous to recklessly follow U.S.-style financial reforms. We should think about Obama's financial reform from a different perspective. Struggling financial institutions in industrialized countries may open new opportunities for ROK financial companies which are seeking to globalize their businesses. Now is the time for the ROK to approach U.S. financial reforms from various perspectives and to seek a Korean-style financial model that fits its own situation.

STEPHENS